



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON, D. C. 20551

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

January 9, 1998

Mr. Timothy G. McEvoy
Vice President
and Associate Counsel
First Empire State Corporation
One M&T Plaza
Buffalo, New York 14240

Dear Mr. McEvoy:

The Secretary of the Board of Governors of the Federal Reserve System, acting pursuant to authority delegated by the Board, and having considered the record of the applications in light of the relevant statutory factors, has approved the applications of: (1) First Empire State Corporation, Buffalo, New York, ("First Empire") to acquire indirectly OnBank & Trust Co., Syracuse, New York ("OnBank"), and Franklin First Savings Bank, Wilkes-Barre, Pennsylvania ("Franklin Bank"), through the merger of First Empire's wholly owned subsidiary, Olympia Financial Corp., also of Buffalo ("Olympia"), with ONBANCorp, Inc., Syracuse, New York, the parent holding company of OnBank and Franklin Bank, pursuant to section 3 of the Bank Holding Company Act (the "BHC Act") (12 U.S.C. § 1842); (2) Olympia to become a bank holding company by acquiring all the voting shares of Manufacturers and Traders Trust Company, Buffalo, New York ("M&T Bank"), OnBank, and Franklin Bank, pursuant to section 3 of the BHC Act; (3) M&T Bank to merge with OnBank and Franklin Bank, pursuant to sections 5(d)(3) and 18(c) of the Federal Deposit Insurance Act (12 U.S.C. §§ 1815(d)(3) and 1828(c)); and (4) M&T Bank to establish branches at the current locations of OnBank and Franklin Bank, pursuant to section 9 of the Federal Reserve Act (12 U.S.C. § 321).^{1/}

^{1/} Olympia would merge with and into ONBANCorp, Inc., with Olympia as the surviving corporation. First Empire also has requested the Board's approval to acquire an option to purchase up to 19.9 percent of the voting shares of ONBANCorp if certain events occur. The option would expire on consummation of the merger of Olympia and ONBANCorp. First Empire also has requested the Board's approval to purchase more than 5 percent of the shares of the common stock of ONBANCorp., prior to the consummation of the proposed merger.

In approving the applications, the Secretary has relied on all the facts of record and all commitments made by the Applicants in the applications and in related correspondence. These commitments are conditions imposed in writing in connection with the findings and decision herein, and, as such, may be enforced under applicable provisions of law.

The transactions may not be consummated before the fifteenth calendar day following the date of this letter, or later than three months after the date of this letter, unless such period is extended by the Federal Reserve Bank of New York ("Reserve Bank"). In connection with these provisions, advice of the fact of consummation should be given to the Reserve Bank.

The following information should be provided to the Reserve Bank within 30 days of consummation:

1. Mailing address of Olympia to be used in the future;
2. Date of fiscal year-end of Olympia;
3. Parent-only balance sheet of Olympia as of the close of business on the date of consummation (balance sheet should be prepared in accordance with generally accepted accounting principles);
4. Number and percent of each class of voting shares of M&T Bank acquired by Olympia; and
5. List of changes, if any, in directors and principal officers and shareholders of Olympia since the bank holding company application was filed.

Very truly yours,



Jennifer J. Johnson
Deputy Secretary of the Board

cc: Federal Reserve Bank of New York
Federal Deposit Insurance Corporation
Department of Justice
New York Acting Superintendent of Banks
Pennsylvania Secretary of Banking